

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

In the Matter of)	
)	CC Docket No. 00-199
2000 Biennial Regulatory Review)	
Comprehensive Review of the)	
Accounting Requirements and)	
ARMIS Reporting Requirement for)	
Incumbent Local Exchange Carriers)	
Phase 2)	

**Comments of the
Rural Utilities Service**

Introduction

The Rural Utilities Service (RUS) is a rural development agency of the United States Department of Agriculture. For over 50 years, RUS (originally the Rural Electrification Administration) has been helping build modern telecommunications systems in rural America. Today, RUS continues to promote rural telecommunications by providing financing and technical advice to about 825 rural local exchange carriers. RUS requires each RUS borrower to maintain its accounts and records in accordance with the Federal Communications Commission (FCC) Uniform System of Accounts (USOA) as set forth in Part 32 of the FCC's Rules and Regulations. RUS has historically relied upon Part 32 accounts, rather than imposing different accounting requirements for our telecommunication borrowers. RUS is very interested in the comprehensive review of the Part 32 USOA because any changes to the accounting rules directly affect the accounting requirements followed by our borrowers.

Phase 2 – Streamlining Measures

RUS is very concerned about the reliability of the information needed for Universal Service support. USOA data is currently used to calculate high cost support in the Universal Service Program and it is critical that sufficient details be maintained in the accounting system to be able to continue to calculate high cost support on a consistent and reliable basis.

The Class B chart of accounts has only one account to record central office switching equipment and only one account to record all cable and wire facilities. The disaggregation of these types of investments as provided in the Class A chart of accounts is essential if any meaningful use is to be made of the data. Detailed information on these types of plant investments is useful to monitor the deployment of the latest technology. Since the universal service high cost model currently determines the cost of providing digital switching equipment using Class A central office equipment accounts it is essential that the current disaggregation of these accounts be continued.

RUS urges the FCC to reconsider its proposal to eliminate one-fourth of the Class A accounts contained in Part 32. We oppose the United States Telecom Association's (USTA's) proposal to eliminate the remaining Class A accounts and solely rely on Class B accounts for all carriers. While RUS agrees that prescribing fewer accounts would reduce the carriers' regulatory reporting burden, RUS urges the FCC to focus not solely on burden involved in maintaining the USOA. RUS respectfully suggests that the FCC also focus on the reasons the USOA is needed and the purpose it serves. The USOA primary purpose is to serve as the financial accounting system which reports the results of operational and financial events in a manner that enables both management and regulators to assess these results within a specified accounting period. The Part 32 USOA was designed to provide the information necessary to support separations, cost of service and management needs. The basic account structure was designed to remain stable as reporting requirements and needs change. RUS contends that requiring only the Class B accounts would provide insufficient information for both regulators and management. Maintaining the Class A accounts makes it easier for RUS to evaluate loan security issues. RUS is concerned that the FCC and state regulators would be left with a minimum accounting system providing insufficient information to make informed decisions that impact our nation's telecommunications industry. RUS questions whether any prudent management team would rely on limited Class B account information to make critical management decisions. RUS also supports the additional accounts being proposed to track information for regulatory purposes. We believe these new accounts will provide useful information to both regulators and management.

RUS opposes USTA's proposal to eliminate section 32.5280(c) which requires carriers to maintain separate subsidiary categories for nonregulated revenue recorded in Account 5280, Nonregulated operating revenue. As telecommunications companies increasingly diversify into nonregulated activities this information should be available to regulators without having to resort to requiring burdensome special studies that are not available on a timely basis.

RUS disagrees with USTA's proposal that the FCC eliminate in a wholesale fashion the section 32.16 requirement for notification and approval to implement new accounting standards prescribed by the Financial Accounting Standards Board (FASB). The FCC is on record supporting generally accepted accounting principles (GAAP) to the extent its regulatory considerations permit. However, GAAP standards frequently allow several options or methods to implement and sometimes a GAAP pronouncement gives flexibility on the timing of its implementation. To allow carriers the option of choosing different implementation methods or time frames would lose the uniformity of the accounting system that is critical for regulators and other users such as RUS. If the accounting system permits maximum flexibility, as permitted under GAAP, the comparability and usefulness of the information is impaired. For example, when FASB Statement 106, "Employers' Accounting for Post Retirement Benefits other Than Pensions," was adopted the FASB allowed either a flash cut (immediately expense) approach or an amortization approach over a number of years. FCC was wise to protect the uniformity of USOA by requiring uniform adoption of Statement 106 using the amortization approach. RUS urges the FCC to continue to support GAAP but retain control over how and when a new GAAP standard is implemented.

Conclusion

RUS is very concerned about the streamlining being proposed by the FCC and opposes USTA's suggestion that only the Class B chart of accounts be required. RUS believes that many complex and critical issues exist in the rapidly changing telecommunications industry today. One of these critical issues is Universal Service Support. RUS believes it is imperative that Federal and state regulators have sufficient, reliable, and comparable data on which to make informed decisions which affect the future of our nation's telecommunications industry.

RUS has a significant interest in the Part 32 USOA, and we request that the Commission notify RUS, similarly to its notification of the state commissions, before modifying the chart of accounts. RUS would also like to be involved in any future teleconference calls FCC conducts with the state commissions. Since approximately 825 rural telecommunications carriers follow Part 32 and RUS was involved in the Telecommunications Industry Advisory Group which assisted the Commission in developing the Part 32 USOA, we respectfully request that RUS be included in both short and long-range reforms that directly impact the Part 32, USOA.

RUS appreciates the opportunity to provide comments in this proceeding.

CHRISTOPHER A. McLEAN
Administrator
Rural Utilities Service

Date